

Message Text

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ACTION NEA-10

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FOR NEA/INS

USDA PASS SINDELAR AND FITZSIMMONS - FAS F AND V DIVISION

E.O. 11652: N/A
TAGS: BDIS, EPAP, ETRD, EAGR, IN, US
SUBJECT: CASHEW IMPORTS PROBLEM

REF: NEW DELHI 8121

1. EMBOFF RAISED CASHEW TRADE PROBLEM WITH MINCOMMERCE DEPUTY SECRETARY SURI (AMERICAN AFFAIRS) JULY 19. SURI WAS INTIMATELY FAMILIAR WITH DETAILS OF CASE -- HE SAID CONTRACTS IN DEFAULT NOW TOTAL \$10 MILLION -- AND PRESENTED FOLLOWING GOI POSITION.

2. MINISTRY HAD ORIGINALLY SOUGHT TO INFLUENCE EXPORTERS TO LIVE UP TO CONTRACTUAL OBLIGATIONS. EXPORTERS HAD RESPONDED THAT FULFILLMENT OF CONTRACTS WOULD RESULT IN INSUPPORTABLE FINANCIAL LOSS. FACTS BEHIND EXPORTERS CASE WERE: SHARP DROP IN THE AVAILABILITY OF IMPORTED RAW NUTS AND SOME FALL-OFF IN DOMESTIC PRODUCTION (SURI PUT FIGURE AT 40 PERCENT); AND DOUBLING BY KERALA STATE AUTHORITIES OF DOMESTIC MINIMUM SALES PRICE FOR RAW CASHEWS. SINCE GOI WAS UNPREPARED TO GO
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THE LAST STEP TO SUBSIDIZE INDIAN EXPORTER LOSSES, ITS PRESSURE COULD NOT OVERCOME EXPORTERS' INTRANSIGENCE.

3. INDIAN EXPORTERS THEN SOUGHT RENEGOTIATION OF CONTRACTS. ACCORDING TO SURI US IMPORTERS ARE ONLY HOLDOUTS IN THIS OPERATION. CONTRACTS HAVE BEEN RENEGOTIATED WITH EUROPEAN AND JAPANESE BUYERS (SURI MENTIONED THIRD EXPORT MARKET,

SO RUSSIAN MAY ALSO HAVE SETTLED). NEW PRICE WAS AROUND \$2.00 IN CONTRAST TO ABOUT \$1.30 FOR ORIGINAL CONTRACTS AND ABOUT \$2.30-2.40 IN CURRENT MARKET. CASHEW EXPORT PROMOTION COUNCIL WAS PREPARED TO SEND MISSION (ALTHOUGH COUNCIL DID NOT HAVE AUTHORITY TO BIND INDIVIDUAL EXPORTERS), BUT HAD DESISTED IN FACE OF MESSAGE FROM BRUCE OF ASSOCIATION OF FOOD DISTRIBUTORS THAT RENEGOTIATION WAS OUT OF THE QUESTION. BRUCE HAD ALSO BEEN INVITED TO ATTEND SEMINAR IN INDIA THIS MONTH BUT HAD NOT ACCEPTED.

4. AT THIS POINT, GOI DID NOT SEE HOW TWO PARTIES COULD BE BROUGHT TOGETHER. CONTRACTS IN DEFAULT WOULD COME UNDER PROVISIONS OF COMMERCIAL LAW OR ARBITRATION PROVISIONS THEY MIGHT CONTAIN.

5. EMBOFF POINTED TO EVIDENCE THAT US COMPANIES HAD BEEN FRUSTRATED IN ATTEMPTS TO COLLECT ARBITRATION AWARDS IN THE PAST. SURI SAID HE HAD LOOKED INTO THOSE CASES AND FOUND THAT THE RESERVE BANK OF INDIA HAD INDEED REFUSED RELEASE OF FOREIGN EXCHANGE. RBI HAD EXPLAINED TO HIM, HOWEVER, THAT REFUSAL HAD BEEN BASED ON INADEQUATE DOCUMENTATION, NOT POLICY. SURI ASSURED EMBOFF THAT GOI WOULD NOT RAISE ADMINISTRATIVE OBSTACLES TO PAYMENT BY INDIAN COMPANIES OF DULY PROCESSED ARBITRATION AWARDS.
GOHEEN

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Sent Date: 20-Jul-1977 12:00:00 am
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Disposition Approved on Date:
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